

Indian startup unicorns raise \$5.6b from domestic listings in 2021



Photo: Unsplash

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As 2021 goes down in history as India's year of IPOs, startups have reasons to cheer. They have set the stock markets on fire, raising a whopping \$5.6 billion from domestic listings, according to data available with research firm Venture Intelligence.

In terms of volume, as many as five startup unicorns (or privately-held companies valued at over \$1 billion) made their public market debut this year, paving the way for a full or partial exit for private equity (PE) and venture capital (VC) investors.

Interestingly, debut offerings by Indian unicorns kicked off only this year after food delivery app [Zomato's stellar IPO](#) in July that was oversubscribed 38 times.

Before that, unicorns in India had typically shied away from raising capital on the bourses and had stuck to the shelter offered by venture capitalists.

Other startups that have launched their IPO this year are multi-channel auto platform [CarTrade.com](#), beauty marketplace [Nykaa](#), insurtech player [PolicyBazaar](#) and fintech giant [PayTM](#).

Meanwhile, [Freshworks](#) became to first Indian SaaS start-up to get listed in the US. *(See table below)*

Company	Sector	IPO Size	IPO Valuation	Date	Exiting Investors	Exit Amount	Amount Raised from 2019
Paytm	Payments - Wallet	2465	18772	Nov-2021	Elevation Capital, Alibaba, Ratan Tata, MediaTek, SoftBank Corp, Berkshire Hathaway, Discovery Capital Management	1292	1000
PolicyBazaar	Marketplace - Insurance	768	5928	Nov-2021	SoftBank Corp	252	365
Nykaa	E-Commerce - Beauty & Wellness	720	7153	Nov-2021	TPG Growth, Lighthouse, Sharrp Ventures	180	50
Freshworks	SaaS - CRM	1030	10130	Sep-2021	Nil	-	235
CarTrade.com	E-Commerce - Cars	403	998	Aug-2021	JP Morgan, Warburg Pincus, Temasek, March Capital	381	68
Zomato	Food Delivery	1259	8009	Jul-2021	Info Edge	50	1474

All figures in \$ million; Source: Venture Intelligence

“The fact that this year startups like Paytm, Zomato, and Nykaa have been able to pull off their IPOs is a significant development. It goes on to reflect how mutual funds on the bourses have become more welcoming of them,” said Arun Natarajan, founder at Venture Intelligence.

In total, as many as 63 Indian companies raised Rs 1,18,704 crore through mainboard IPOs this year, according to PRIME Database statistics.

This was nearly 4.5 times Rs 26,613 crore raised through 15 IPOs in 2020. In 2017, which was earlier considered the best year for IPOs, companies had raised Rs 68,827 crore.

“IPOs from new-age loss-making technology startups, strong retail participation and huge listing gains were the key highlights this year,” said Pranav Haldea, managing director at PRIME Database Group.

Interestingly, Paytm’s IPO marked the biggest in the history of the Indian primary market after Coal India’s offering that raised Rs 15,000 crore in 2010. However, its debacle on BSE with its market capitalization eroding significantly has cast a shadow over IPOs for startups, with some firms such as MobiKwik (another payments firm) already indicating that it will delay its plans to hit the bourse. Paytm shares are currently trading at 37% below its debut high of Rs 2150.

“There has been a tremendous amount of liquidity in the system which has fuelled the IPO market. However, post IPO, the stock performance of (certain companies) has been a mixed bag,” said Girish Vanvari, founder at Transaction Square, a tax, regulatory and business advisory firm headquartered in Mumbai.

“There are many companies which are trading at a premium to IPO price and many at a discount. The key is MOAT (Measurement and Operations Analysis Team) and uniqueness in the business model,” he added.

So far, IPOs for growth capital have been perceived more favourably by investors vis-à-vis offers for sale. “But the key now will be how will these companies sustain their market capitalisation through continuous growth and innovation,” said Vanvari.

Road Ahead: Outlook for 2022

So far, the IPO pipeline continues to remain strong with 35 companies already holding Indian capital markets regulator SEBI’s approval proposing to raise roughly Rs 50,000 crore, per Prime Database.

Meanwhile, 31 more companies are awaiting SEBI approval to raise about Rs 57,000 crore. This, however, excludes the much-anticipated mega IPO of public insurance behemoth [LIC](#) expected to be launched in this fiscal.

“Inflationary concerns resulting in rate hikes can be expected which shall reduce the amount of liquidity available, which along with how Omicron variant plays out, shall have an impact on the secondary market and consequently the primary market,” said Haldea of Prime Database.

Going ahead, “the markets will consolidate,” said Vanvari. “Though the world is now more prepared and resilient to deal with the virus and its variants, it will be interesting to see how the tussle between inflation and liquidity will pan out. Further, all eyes will be on the digital space to see how many ideas grow and thrive.”

Among startups that are looking to list next year, [MobiKwik](#), backed by Bajaj Finance, received regulatory approval to launch its IPO in October. Meanwhile, online travel aggregator Ixigo got SEBI's nod earlier this month to launch a Rs 1,600-crore IPO.

However, among those in the fray waiting to get approval from SEBI include e-commerce major Snapdeal, hotel chain Oravel Stays (OYO), new-age delivery and logistics services provider Delhivery and automobile marketplace Droom.

Impact on investors

The IPO market has led to an increase in PE and VC investments in the country. "We now see larger and many more fundings by investors in SAAS companies with the hope of near-term value creation in IPOs," said Vanvari, even as he declined to divulge details.

PE and VC firms invested a record \$49 billion (across 840 deals) in Indian companies during the first 9 months of 2021, stated Venture Intelligence. These figures have already surpassed the full-year investment total of \$39.5 billion (across 892 deals) in the entire of 2020, representing a 52% increase over the \$32.2 billion (across 651 deals) in the first nine months of 2020.

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